

Ticker: GGD CN

Cash: US\$72m

Project: Los Ricos / Parral

Market cap: C\$880m

Price: C\$3.17/sh

Country: Mexico

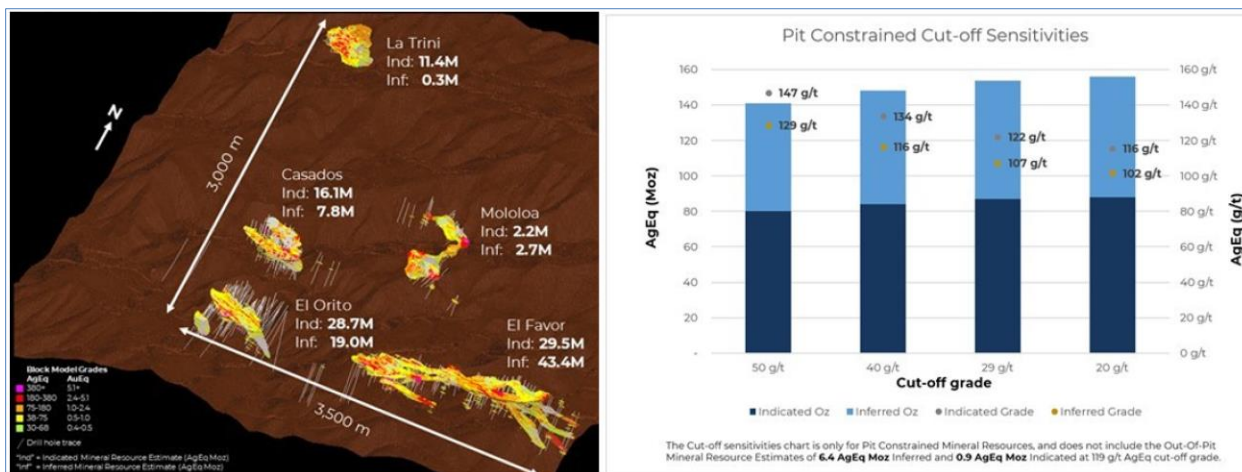
RECOMMEND. (unc): BUY

TARGET (+0.30): C\$4.50/sh

RISK RATING: HIGH

Today's maiden MRE for Los Ricos North is a +30% beat on our estimates for a price target lift to C\$4.50/sh. Yes, the maiden 161Moz @ 117g/t AgEq is large, and much larger than our SCPe 125Moz estimate, but what's even more exciting is that 96% is pit-constrained, 70% in oxides and >55% in M&I. This lifts GoGold's global resource to 282Moz @ 118g/t AgEq (+130% net of today's updates). Our biggest take home is the quality of ounces added today, emphasized below in Figure 1B showing 140Moz @ ~140g/t AgEq constrained at a higher pit cut-off. From that, we conservatively take 100Moz AgEq for our SCPe inventory at a selective 150g/t AgEq at 5:1 strip. Adding this to our model, we estimate US\$565m 1.0xNAV_{5%-1850-24} from LRN build start (SCPe 3Q23) using similar unit costs as the LRS PEA, but lifting throughput and capex by 25%. However, LRN is pre-PEA, so we discount using a 0.6x multiple, slightly below 0.8x used for LRS, but still above pre-PEA peers under coverage to incorporate additional upside given our opinion that ounces will materially grow next year. Very simply, we think LRN will have more ounces in 12M than today's MRE, with opportunities to extend El Favor along strike / up and down dip and from the new Gran Cabrera area. Not to forget our estimated ~40Moz of growth potential at LRS. As such, **we maintain our BUY rating and lift our C\$4.20/sh PT to C\$4.50/sh based on 0.8xNAV_{5%-1850-24} for LRS and 0.6xNAV_{5%-1850-24} for LRN.** GoGold remains among our top picks for big exploration growth stories heading into 2022, and with a 3Q21 cash of US\$73m and continued FCF from Parral, we don't see this growth slowing down anytime soon.

Figure 1. (A) Los Ricos North MRE 3d view, (B) pit COG sensitivities showing 140Moz above 50g/t Ag



Source: GoGold

LRN maiden resource beats expectations with 161Moz @ 117g/t AgEq; lifting PT to C\$4.50/sh

GoGold reported the maiden MRE for Los Ricos North totalling 161Moz @ 117g/t AgEq (140Moz above 50g/t Ag cut-off) vs SCPe 125Moz, from five deposits: **(i) El Favor** / 73Moz @ 113g/t AgEq, **(ii) Casados** / 24Moz @ 149g/t AgEq, **(iii) La Trini** / 12Moz @ 114g/t AgEq, **(iv) Mololoa** / 5Moz @ 139g/t AgEq and lastly, **(v) El Orito Sulphides** / 48Moz @ 112g/t AgEq, based on >100,000m of drilling (503 holes). Approximately 96% of today's LRN MRE is pit constrained > 29g/t Ag, derived from US\$1,550/oz Au price, US\$21/oz Ag, \$3.66\$/lb Cu, \$0.90\$/lb Pb, \$1.26 \$/lb Zn, 93% Ag-Au recovery, 90% Cu recovery, and % Pb-Zn recovery using US\$18/tonne process and G&A cost. **Globally**, this lifts GoGold's MRE to **282Moz @ 118g/t AgEq** with the inclusion of unchanged LRS and Esmerelda resources / reserves, and net of updated reserves at Parral (Table 2). An additional 100,000m is planned for 2022 at Los Ricos North, targeting additional ounce growth from two key areas including El Favor and new Gran Cabrera area to the North.

Table 1. Los Ricos North Maiden MRE Breakdown & new SCP inventory

	Tonnes	Grade	Grade	Grade	Grade	Ounces	Ounces	M&I
Los Ricos North	(Mt)	(g/t Au)	(g/t Ag)	(g/t AuEq)	(g/t AgEq)	(Moz AuEq)	(Moz AgEq)	%
El Favor	20.1	0.27	93	1.53	113	1.0	72.8	40%
Casados	5.0	0.40	119	2.02	149	0.3	23.9	67%
La Trini	3.2	0.53	74	1.55	114	0.2	11.7	98%
Mololoa	1.1	0.40	110	1.87	139	0.1	4.9	44%
El Orito Sulphides	13.3	0.06	28	1.51	112	0.6	47.7	60%
GRAND TOTAL	42.7	0.24	75	1.59	117	2.2	161	55%
<i>SCPe Inventory</i>	<i>20.7</i>	<i>0.35</i>	<i>123</i>	<i>1.95</i>	<i>150</i>	<i>1.30</i>	<i>100</i>	

Source: GoGold, SCP inv. AuEq / AgEq using US\$1,850 Au, US\$24/oz Ag

Table 2. GoGold global resources/reserves showing LRN additions net of Parral updates

	Tonnes	Grade	Grade	Grade	Ounces	M&I
GOGOLD GLOBAL	(Mt)	(g/t Au)	(g/t Ag)	(g/t AgEq)	(Moz AgEq)	%
Los Ricos South: pit / UG	13.2	0.91	117	197	84	76%
Los Ricos North: pit / UG	42.8	0.24	75	117	161	55%
Parral P&P: TMF heap leach	12.8	0.35	33	59	24	100%
<i>Parral Δ% to old</i>	<i>-17%</i>	<i>3%</i>	<i>-2%</i>	<i>-3%</i>	<i>-19%</i>	<i>-</i>
Esmerelda: TMF heap leach	5.8	0.26	49	71	13	100%
GLOBAL TOTAL	74.6	0.38	72.9	118	282	67%
<i>Global Δ% to old</i>	<i>117%</i>	<i>-30%</i>	<i>7%</i>	<i>6%</i>	<i>130%</i>	

Source: GoGold, LRN 4Q21 MRE, LRS 3Q20 MRE, Parral 4Q21 P&P, Esmerelda 3Q20 MRE.

Our view: Los Ricos North MRE supports selective SCPe 100Moz @ 150g/t AgEq inventory

In our view, the maiden 161Moz @ 117g/t AgEq is an impressive ~30% beat on our estimates, with >70% all in oxides and 96% (~155Moz) pit constrained. Our key take-home is that these are high-quality pit-constrained ounces, emphasized by the sensitivities showing a **140Moz @ 147g/t AgEq** above 50g/t Ag cut-off, from which we conservatively take ~71% of the ounces for an SCPe pitable inventory of 100Moz at a selective 150g/t AgEq. On mining / processing, we assume a slightly larger 2.2Mtpa compared to LRS at 88% / 93% Ag / Au recovery in line with recent metallurgical results, for ~9Moz AgEq pa production over 10 years. On capex, with 25% higher production than LRS, we simply add 25% the build capex for US\$150m. On opex, we adjust for economies of scale and use slightly lower operating costs of US\$3.40/t mining and US\$15.00/t processing compared to LRS. Figure 2 below summarizes our inputs for LRN.

Big picture, we expect Los Ricos North to keep growing. El Favor is a clear favourite in our view, given scale and grade, still with plenty of runway to grow up / down dip and to the East. Also exciting is the new Gran Cabrera flagged as another growth contributor over the next 12M. We are confident about one thing; Los Ricos North will be larger next year. GoGold remains among the few, well-funded big exploration growth stories heading into 2022 and today's MRE is a testament to that.

Figure 2. SCPe Los Ricos North modelled inputs / economics

Los Ricos North (build start)	SCP	Los Ricos North (build start)	SCP
Resource tonnes (000t)	42,700	Pit mining cost (US\$/t mined)	3.40
Resource Ounces (Moz AgEq)	161.0	Proc. cost (US\$/t milled)	15.00
Pit mining inventory (000t)	20,736	G&A (US\$/t milled)	1.54
Strip ratio (x)	5.0	Royalty (%)	0.50%
Pit grade (g/t AgEq)	150	AISC (US\$/oz AgEq)	10.39
Silver of total (%)	82%	Capex (US\$m)	150
Ounces (Moz AgEq)	100	Discount (%)	5.0%
ROM grade (AgEq)	150	Ag / Au px (US\$/oz)	1850\24
Gold and silver recovery (%)	89%	NPV (US\$m)	565
Average ROM (Mt pa)	2.1	IRR (%)	54%
Avg prod'n (Moz pa AgEq)	9.8		
Mine life (years)	9.5		

Source: SCP estimates

Source: SCP estimates

Valuation / recommendation: Maintain our BUY rating and lift our C\$4.20/sh PT to C\$4.50/sh

We add Los Ricos North to our model on a DCF basis as discussed above for US\$565m 1.0xNAV_{5%-1850-24} at build start 3Q23. We lower this using a 0.6x multiple compared to 0.8x for LRS given LRN is still pre-PEA but still higher than peers to incorporate additional upside given our view that there will be substantially more ounces next year than today. Adding US\$2.50/oz for resources outside inventory at LRN takes our Group 1.0xNAV_{5%-1850-24} to US\$1,340m. **As such, we maintain our BUY rating based on a 0.8xNAV_{5%-1850-24} for LRS and 0.6xNAV_{5%-1850-24} for LRN and lift our price target from C\$4.20/sh to C\$4.50/sh**

Figure 3. SCP estimates / project NPV sensitivity to discount / Ag price

Commodity price	CY19A	CY20A	CY21E	CY22E	CY23E	Project NPV @ 3Q23 build start	Spot	SCP		
Gold price	1,379	1,748	1,784	1,808	1,850	Au: \$1780oz \$1850oz \$1950oz \$2050oz \$2150oz				
Silver price	15.8	19.25	24.86	24.16	24.00	LRS NPV at build start (US\$m) Ag: \$22.0oz \$24.0oz \$25.0oz \$26.0oz \$27.0oz				
Group-level SOTP valuation						11% discount	241	271	286	301
	US\$m	O/ship	NAVx	C\$/sh*		8% discount	295	329	347	364
NPV Parral (4Q21)	161	100%	1.0x	0.70		5% discount	362	402	422	442
NPV Los Ricos South (build start)	402	100%	0.8x	1.40		LRN NPV at build start (US\$m) Ag: \$22.0oz \$24.0oz \$25.0oz \$26.0oz \$27.0oz				
Esmeralda nominal (US\$50/oz Au)	8	100%	1.0x	0.03		11% discount	345	399	426	453
NPV Los Ricos North (build start)	565	100%	0.6x	1.48		8% discount	412	474	504	535
LRN resources outside inv. (US\$2.50/oz Ag)	153	100%	1.0x	0.67		5% discount	494	565	600	635
NPV central & finance costs	(27)	100%	1.0x	(0.12)						
SCPe Cash (3Q21)	72	100%	1.0x	0.32						
Cash from options	7	100%	1.0x	0.03						
1xNAV5% 4Q21 US\$1850/oz	1,340			4.51						

Why we like GoGold

- Self-funds G&A and a portion of exploration from Parral, with options to extend to new dumps
- 'Hidden' silver company with Los Ricos predominantly silver
- Los Ricos an easily mineable open pit, on a single vein, extending to depth
- Los Ricos North drilled targets could support a standalone operation of similar size
- Undrilled Los Rico North targets could support multiples of Los Ricos South's size

Catalysts

- 1H22: Los Ricos South strike drilling
- 2022: Gran Cabrera drilling
- 2022: Los Ricos South PFS
- CY22: SCPe Los Ricos North PEA

Research

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker: GGD CN	Price / mkt cap: C\$3.17/sh, C\$880m	Group P/NAV today: 0.61x	Asset: L. Ricos / Parral
Author: B. Salier	Recommendation: BUY	Price target: C\$4.5/sh	Country: Mexico

Commodity price	CY19A	CY20A	CY21E	CY22E	CY23E	Reserve / mining inventory	Ag Eq	Au Eq		
Gold price	1,379	1,748	1,784	1,808	1,850	Parral (SCP mine plan)	32Moz	63.3g/t	358koz	0.00g/t
Silver price	15.8	19.25	24.86	24.16	24.00	Los Ricos South (SCPe)	72Moz	189g/t	816koz	2.14g/t
Group-level SOTP valuation						Esmeralda (not modelled)	14Moz	72g/t	155koz	0.82g/t
		US\$m	O/ship	NAVx	C\$/sh*	Los Ricos North (SCPe)	100Moz	150g/t	1,297koz	1.95g/t

	US\$m	O/ship	NAVx	C\$/sh*	Los Ricos North (SCPe)	100Moz	150g/t	1,297koz	1.95g/t	
NPV Parral (4Q21)	161	100%	1.0x	0.70	Share data					
NPV Los Ricos South (build start)	402	100%	0.8x	1.40	Basic shares (m)	277.7	FD with options (m):		292.3	
Esmeralda nominal (US\$50/oz Au)	8	100%	1.0x	0.03	Ratio analysis^	CY19A	CY20A	CY21E	CY22E	CY23E
NPV Los Ricos North (build start)	565	100%	0.6x	1.48	Average shares out (m)	186.9	240.2	288.1	329.7	329.7
LRN resources outside inv. (US\$2.50/oz Ag)	153	100%	1.0x	0.67	EPS (US\$/sh)	0.6	4.3	3.3	3.1	36.6
NPV central & finance costs	(27)	100%	1.0x	(0.12)	CFPS before w/c (US\$/sh)	4	(1)	(0)	(23)	46
SCPe Cash (3Q21)	72	100%	1.0x	0.32	EV (US\$m)	91.3	514.8	666.4	820.3	878.0
Cash from options	7	100%	1.0x	0.03	FCF margin (%)	-17%	-7%	-4%	-162%	32%

1xNAV5% 4Q21 US\$1850/oz	1,340			4.51	PER (x)	390x	58x	74x	80x	7x
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Group NAV (US\$m)	Spot	SCP				P/CF (x)	0.0x	-	-	-	0.2x
	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	EV/EBITDA (x)	15.4x	7.6x	6.5x	5.3x	0.6x

11% discount	979	1,023	1,067	1,112	1,156	Revenue, attrib (US\$m)	32.4	44.2	52.4	47.2	386.3
8% discount	1,114	1,165	1,216	1,267	1,318	COGS, attrib (US\$m)	23.1	25.5	26.8	24.1	161.2
5% discount	1,281	1,340	1,398	1,457	1,516	D&A, attrib (US\$m)	5.9	3.6	6.1	7.6	33.7

Ungeared project IRR:	51%	53%	55%	57%	58%	Gross profit, attrib (US\$m)	3.1	15.1	19.6	15.5	191.5
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	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	Admin (US\$m)	(4.6)	(4.9)	(5.7)	(3.8)	(3.8)
Group NAV (C\$/sh)*	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Finance cost (US\$m)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)

11% discount	3.40	3.53	3.66	3.80	3.93	Expln, royalty, forex (US\$m)	(0.8)	(1.0)	(1.0)	-	-
8% discount	3.82	3.97	4.12	4.28	4.43	Tax (US\$m)	-	-	(0.9)	(1.5)	(66.9)
5% discount	4.33	4.51	4.69	4.86	5.04	Net income, attrib (US\$m)	1.2	10.2	9.6	10.3	120.8

Los Ricos South assumptions	Mt	AuEq (g/t)	AgEq (g/t)	AuEq (koz)	AgEq (koz)	Cash flow^	CY19A	CY20A	CY21E	CY22E	CY23E
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NI43-101 pit resource (M&I&I)	12.1	2.13	186	829	73	EBITDA (US\$m)	5.9	12.0	14.0	17.3	153.9
NI43-101 UG resource (M&I&I)	1.1	3.56	312	126	11	Less working Δ capital (US\$m)	(12.6)	(0.5)	(0.6)	0.3	(29.4)
SCPe LRS pit inventory	11.0	2.05	180	720	63	Less finance costs (US\$m)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)
SCPe LRS UG inventory	0.9	1.16	296	96	8	Less tax paid (US\$m)	-	-	(0.9)	(1.5)	(66.9)

Project NPV @ 3Q23 build start	Spot	SCP				Add back other (US\$m)	(1.0)	2.4	5.9	1.8	67.5
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	Au: \$1780oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	Cash flow ops (US\$m)	(7.9)	13.6	18.2	17.9	125.0
LRS NPV at build start (US\$m) Ag:	\$22.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	PP&E - build (US\$m)	(3.0)	(1.0)	(3.0)	(83.7)	(2.8)

11% discount	241	271	286	301	315	Exploration (US\$m)	(4.2)	(15.9)	(17.5)	(10.6)	-
8% discount	295	329	347	364	381	Asset sales (US\$m)	9.6	-	-	-	-
5% discount	362	402	422	442	463	Cash flow inv. (US\$m)	2.5	(16.9)	(20.5)	(94.3)	(2.8)

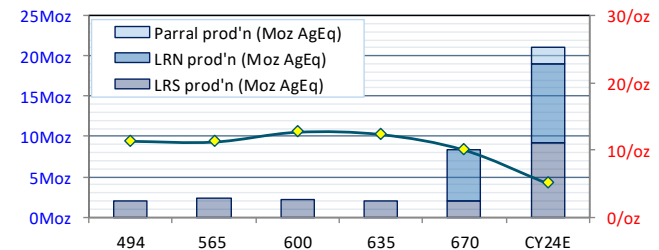
LRN NPV at build start (US\$m) Ag:	\$22.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Share issue (US\$m)	-	54.3	82.0	-	-
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11% discount	345	399	426	453	480	Debt draw (repay) (US\$m)	(0.6)	(1.2)	(0.4)	-	-
8% discount	412	474	504	535	566	Cash flow fin. (US\$m)	(0.6)	53.1	81.5	-	-
5% discount	494	565	600	635	670	Net change in cash (US\$m)	(6.0)	49.8	79.3	(76.4)	122.2

Production (Y1 from 3Q20)	CY19A	CY20A	CY21E	CY22E	CY23E	Balance sheet^	CY19A	CY20A	CY21E	CY22E	CY23E
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Parral prod'n (Moz AgEq)	2.0	2.3	2.1	2.0	2.0	Cash (US\$m)	5.0	56.4	131.4	25.4	(32.3)
LRS prod'n (Moz AgEq)	-	-	-	-	6.4	Acc rec. + inv. (US\$m)	29.9	31.2	32.8	32.8	75.4
LRN prod'n (Moz AgEq)	-	-	-	-	7.8	PPE (US\$m)	27.0	64.4	61.1	129.1	285.8
C1 cost (US\$/oz AgEq)	11.33	11.21	12.67	12.32	10.02	Exploration (US\$m)	14.4	26.7	48.9	112.5	112.5
AISC cost (US\$/oz AgEq)	13.92	13.58	15.70	14.86	6.33	Others (US\$m)	12.0	13.5	15.3	15.3	15.3
C3 cost (US\$/oz AgEq)	15.48	14.42	16.46	15.98	3.51	Total assets (US\$m)	88	192	290	315	457

<i>AISC = C1 + ug sustaining capex, C3 = AISC + depreciation</i>							Debt (US\$m)	5.4	3.2	2.7	2.7	2.7
							Accnts payable (US\$m)	7.2	7.6	8.6	8.6	21.7
							Def. tax, closure, other (US\$m)	2.0	3.0	6.1	6.1	6.1
							Total liabilities (US\$m)	14.5	13.7	17.4	17.4	30.6
							Shareholders equity (US\$m)	148.0	203.6	286.7	286.7	286.7
							Contributed surplus (US\$m)	8.1	8.6	9.7	9.7	9.7
							Retained earnings (US\$m)	(82.4)	(33.7)	(24.3)	1.3	129.7
							Liabilities + equity (US\$m)	88	192	290	315	457



Source: SCP estimates; *diluted for options, but not for Los Ricos mine build(s)

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NOT RATED ((N/R): The stock is not currently rated

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Summary of Recommendations as of December 2021	
BUY:	48
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	49

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month